

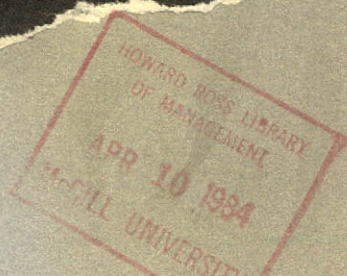
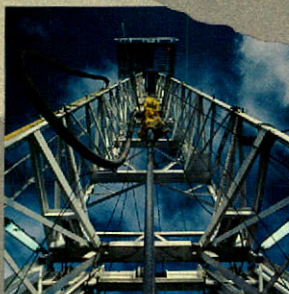
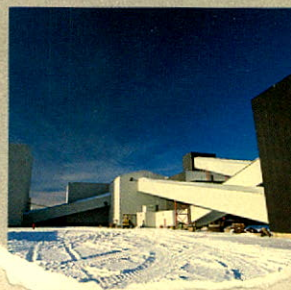
Annual Report

1

9

8

3





About the Cover

The business of BP Resources Canada Limited—exploring for and developing petroleum and minerals—is many sided and wide ranging. The cover photographs, set against the background of a stylized geological formation, illustrate just a few facets of the Company's operations.

Following the acquisition of Selco Inc. at the end of October, 1983, BP Resources' principal operating subsidiary, BP Exploration Canada Limited, was reorganized into two divisions: Oil and Gas Division and Mining and Minerals Division.

Headquartered in the Calgary office, the Oil and Gas Division is responsible for all aspects of BP's petroleum exploration and production activities, including those in the oil sands.

The Mining and Minerals Division, with headquarters in Toronto, manages the businesses acquired from Selco Inc. as well as the exploration programmes previously operated by BP Minerals and BP Resources' coal and potash deposits.

The map on page 9 shows the geographical extent of the Company's operations.

Production of oil and natural gas comes from Alberta, British Columbia and Saskatchewan, while exploration interests encompass the first two of these provinces as well as the Arctic Islands, the East Coast offshore and the Beaufort Sea.

Minerals exploration spreads across Canada, with projects in the Northwest Territories and every province except Alberta and Prince Edward Island. Operations of the Division include: a copper/silver/gold mine at Selbaie, Quebec; a limestone and lime products plant near Vancouver, British Columbia; coal reclamation on Cape Breton Island; and, from Toronto, the provision of technical services to the mining and minerals industries.

Contents

1	Highlights
2	President's Report
5	Oil and Gas
14	Mining and Minerals
18	Policy and Objectives: Highlights
20	Corporate Affairs
22	Financial Review
24	Summary of Accounting Policies
26	Report of Management
26	Auditors' Report
27	Consolidated Financial Statements
36	Five-Year Summary
37	Directors and Officers

The Annual and a Special Meeting of shareholders of BP Resources Canada Limited will be held at 11:30 a.m. on Wednesday, April 25, 1984, in the Four Seasons Hotel, 21 Avenue Road, Toronto, Ontario.

Pour obtenir un exemplaire du rapport en français, prière d'écrire au Directeur, Affaires publiques, BP Resources Canada Limited, 333 - 5th Avenue S.W., Calgary, Alberta, T2P 3B6.

Highlights for the Year 1983

<i>(thousands of dollars, unless otherwise stated)</i>	1983	1982	% change
Financial			
Net income for the year			
Before extraordinary item	23,561	9,956	+136.7
After extraordinary item	34,413	9,956	+245.7
Net income per share <i>(dollars)</i>			
Before extraordinary item	1.09	0.46	+137.0
After extraordinary item	1.60	0.46	+247.8
Return on average capital employed (%)			
Before extraordinary item	7.4	3.3	+124.2
After extraordinary item	10.8	3.3	+227.3
Shareholders' equity at end of year	248,169	215,912	+ 14.9
Gross revenue—sales	205,689	161,116	+ 27.7
Total funds derived from operations	77,990	65,256	+ 19.5
Expenditures on property, plant and equipment, and exploration	50,981	58,429	- 12.7
Operating			
Gross sales of crude oil and natural gas liquids			
<i>(thousand cubic metres per day)</i>	2.762	2.545	+8.5
Gross sales of natural gas			
<i>(million cubic metres per day)</i>	2.644	2.895	-8.7

The capital stock of BP Resources Canada Limited is listed for trading on the Montreal, Toronto and Vancouver stock exchanges. Cash dividends paid, and the high and low prices of the common shares on the Toronto Stock Exchange in 1983 are shown in the table.

	1983		
	Dividends	High	Low
First Quarter		\$22½	\$17½
Second Quarter		\$25¼	\$19¾
Third Quarter		\$27¼	\$22¾
Fourth Quarter	10¢	\$24½	\$21¾
Year	10¢	\$27¼	\$17½

President's Report to the Shareholders

2 Last year was an eventful one for us in Canada and we are now a very different company from the old BP Canada Inc. You will see that we are asking the shareholders, at our meeting in Toronto, to approve the use of this original name again now that sufficient time has elapsed to avoid confusion.

After the sale of the marketing and refining business, the Company is free to concentrate on the development of the natural resources sector, where the two major events of the year were the Wolf Lake agreement and the purchase of Selco Inc.

We were very pleased to conclude satisfactory fiscal arrangements with the Alberta and Federal Governments last May, which enabled us to continue work on our Wolf Lake heavy oil project. Construction is on schedule and total costs will be below estimate, due in part to the depressed economy, but also to very careful engineering and cost control. In situ oil sands projects are, of course, sensitive to oil prices, though not to the same extent as oil sands mining projects. However, we believe that Wolf Lake would still cover its operating costs even if oil prices fell quite substantially from current levels.

This is reassuring, since it is the largest single resource investment ever made by BP in Canada. With a design capacity of 1,100 cubic metres of bitumen per day, it will come on stream by mid-1985 and make a positive contribution to cash flow almost immediately thereafter.

While planned production from Wolf Lake may not seem large in comparison with the abandoned mega projects, it is of great importance to this Company. If Wolf Lake's performance matches our expectations—and we are confident that it will—it will be capable of phased expansion and, over the longer term, could be developed to a very much higher level of production.

It is encouraging that governments have recognised that these capital intensive projects should not be treated, for taxation and royalty purposes, so much more severely than other industrial operations and we are proud to have been the first to negotiate acceptable tax/royalty arrangements. The terms cannot be called generous—governments have not given away anything, since otherwise there would have been no production, no jobs and no royalties. The choice is either to retain the jobs in Canada, or to export them along with the money needed to pay for steadily increasing oil imports.

Last year's operating results are a welcome improvement over those for 1982, which were severely depressed by the impact of the National Energy Program and the subsequent Federal-Provincial agreements. Benefits came from a gradual relaxation of price controls and of excessive royalties and taxes, though these impositions are still extremely high. Other improvements were offset by reduced natural gas demand; last year, the pipelines took only just over half our contracted volumes of gas.

The Company achieved considerable success in replacing the crude oil and natural gas liquids that were produced during 1983. But any natural resource company such as ours, if it is to survive and grow, has to replace and preferably increase its reserves at a cost that is justified by reasonable future selling prices. The events of the last few years have shown that neither the petroleum nor the minerals producers should assume that prices will increase continuously even in the face of increasing scarcity of a resource and severe competition in exploring for new reserves. Selectivity is essential in order to avoid a high level of profitless activity.

The decline in the oil discovery rate in Western Canada has been well documented and must be accepted as a fact of life. We believe that we will be able to find profitable exploration opportunities for many years yet, particularly when the present gas surplus is worked off. Recognising the intense competition and the inevitable drop in total industry production, however, we

have to accept that most companies' conventional oil revenue from Western Canada will decline over a 10-15 year time frame. We, as a Company, are unlikely to continue for long to replace our reserves as successfully as we did last year, so it will be necessary to find alternative sources of revenue.

In the resources business, we feel that more than one alternative income source is necessary. Over the years, we have acquired a spread of frontier oil and gas interests. However, both because of the very high risks and the very long-term nature of these ventures we are neither committed to high expenditures in, nor relying on any revenues from these areas. We also have a spread of interests in the heavy oil and oil sands areas of Alberta, which we feel will be very important in the medium term and which are described elsewhere in the report.

Exploration for other minerals is seen as an alternative to these activities and as another source of future growth. Canada has a rich endowment of mineral deposits, some of which will be economic at reasonable future price levels, and we are convinced that a well-directed exploration effort of adequate size can locate and develop profitable ventures.

It is against this background that we saw the purchase of Selco not only as an opportunity to acquire mining assets during a period of very low metal prices, but also as a means of entering the business at a viable level and taking on a highly skilled and enthusiastic group of people. We are planning to spend in excess of \$10 million a year, over the next few years, exploring for a variety of minerals in deposits that can be economically developed. In addition, we are allocating some \$6 million for expenditure on capital projects in 1984, mainly at the Selbaie mine and the Millstream potash property. A decision to proceed with the Selbaie A-1 zone development or with underground exploration at Millstream would considerably increase this expenditure.

Selco Inc. was acquired only at the end of October, 1983 and therefore its effect on earnings was confined to the final two months of the year. However, as a result of tax recoveries derived from past losses incurred by Selco, its acquisition will make a very substantial contribution to the Company's cash flow in 1984.

You may be interested to know something of the policies of your Company. The Policy and Objectives document, highlights of which are reproduced elsewhere in the report, is a general statement for the guidance of all employees.

As shareholders, there are other important objectives that affect you. The Company is seeking to achieve profitable growth, either through internal expansion or the purchase of assets and, having no long-term debt, is in a strong financial position.

Development opportunities resulting from successful exploration are by their nature difficult to forecast in detail very far ahead. However, we believe that our capital spending for the next few years on internally generated investment opportunities will be broadly in line with our cash flow from operations, which we expect to increase gradually for several years. Our forecasts are based on the assumption that oil prices, taxation regimes, inflation and currency exchange rates will be stable and close to present levels for several years, and that oil production will not be artificially limited. We are anticipating that gas prices may weaken further for two years, before recovering slowly, and that gas volumes will not fully recover for several years.

After four or five years, our results will depend progressively more on investment decisions that have not yet been taken; but given our profitability criteria, it would be reasonable to expect continued growth.

We are not limited to internally generated investments, and would be interested in making a suitable acquisition, provided that this would benefit our existing shareholders. We have not yet found an attractive opportunity at the right price, but consider that such opportunities may occur within the next year or two. Only if we find ourselves unable to use our financial strength within the Canadian natural resources and allied industries would we consider investing either in other businesses or other countries.

For a company operating in the high-risk natural resources business, our return on capital employed was for several years very unsatisfactory. Fiscal and regulatory changes beyond our control were responsible for the worst of the damage. Our conservative accounting policy can have a major impact on the net profit in a year such as 1981, when under the successful efforts treatment, several high-cost wells were written off. This year's improvement to 7.4 percent return on capital is welcome and, depending on the effect of investment decisions made during 1985 and 1986, we expect a further improvement in 1986, the first full year of Wolf Lake production.

The semi-annual dividend has just been doubled, reflecting our greatly improved results. As a resources company, we would like to retain profits to finance growth; on the other hand, some shareholders require income rather than capital appreciation, and the opportunity for shareholders to take stock dividends enables us to meet either need. We anticipate, based on our planning assumptions and on estimated future net earnings before extraordinary items, that we will be able to maintain this dividend and dividend cover.

I would like to welcome the former employees of Selco Inc. on to the Company's staff, which is now some 1,150 strong, and to thank all the BP men and women for their sustained dedication and hard work.

In December, the Board of Directors accepted with regret the resignation of Mr. Roy F. Bennett as Chairman, an office he had held with distinction since June, 1982. We are pleased, however, that he is able to continue as a Director. Mr. Donald S. Harvie, who joined the Board in June, has been appointed Chairman in succession to Mr. Bennett.

We are also sorry to be losing the services of Mr. R.W. Adam, who has served the Company so well as a Director since 1971 and as Chairman for a time during 1981 and 1982. In his place, Mr. Robert B. Horton was elected to the Board in March. Mr. Horton joined the BP Group in 1957, serving latterly as Managing Director of BP Chemicals International Limited before his appointment to the Board of The British Petroleum Company p.l.c. last December.

Mr. P.C. MacCulloch, formerly President of Selco Inc., was elected to the Board in December.

On your behalf, I offer my thanks to all the Directors for their services and their most valuable advice and support.



M.A. Kirkby
President and Chief Executive Officer
March 12, 1984



Highlights

Sales of crude oil and natural gas liquids increased by 8.5 per cent to 2,762 cubic metres per day, largely as a result of two enhanced oil recovery projects implemented in the West Pembina Nisku pools and higher output from the Company's Saskatchewan properties in response to increased demand.

Both domestic and export markets for natural gas remained depressed, however, and sales declined a further 8.7 per cent to 2,644,000 cubic metres per day. Sales were only some 52 per cent of contracted volumes and, on average, about 2,455,000 cubic metres per day of production were shut in during the year.

Gross selling prices for crude oil and natural gas liquids averaged \$186.70 per cubic metre, compared with \$151.90 in 1982. Gross selling prices for natural gas averaged \$89.63 per thousand cubic metres, against \$88.50.

Sales of sulphur were 5.3 per cent lower at 60,312 tonnes and average prices declined to \$58.35 per ton from \$80.41 in 1982 because of poorer market conditions. In the closing months of the year, however, domestic demand began to increase and prices to rise, while the erosion in prices in export markets abated.

Operating efficiency improved further, with unit costs of production and development work and administrative expenses all declining. Costs on capital projects were also sharply lower as competition intensified among suppliers and contractors.

Gross revenues increased by 16.1 per cent to \$279,687,000. With provincial royalties and federal revenue taxes increasing by only 2.3 per cent, net revenues were 26.6 per cent higher at \$173,276,000.

Capital and exploration expenditures in 1983 totalled \$44 million, with exploration taking \$18.5 million. In

1984, capital and exploration expenditures are planned to increase to over \$89 million, with the Wolf Lake project and development work accounting for more than 60 per cent of the total. The actual amount to be spent on exploration will depend on how many promising prospects can be identified.

Reserves of crude oil and natural gas liquids rose slightly to 9,947,498 cubic metres, replacing just over 100 per cent of 1983 production, mainly as a result of reservoir reappraisal of developed fields.

Only about 54 per cent of the year's production of natural gas was replaced, mainly because of a decision to reduce gas investment in view of the lack of markets for new gas. At year-end reserves stood at 28,954 million cubic metres.

BP was successful in negotiating the establishment of an appropriate taxation and royalty structure for the Wolf Lake oil sands project. A farmout was completed with Petro-Canada Exploration Inc., whereby Petro-Canada will earn a 50 per cent interest in both the project and the Marguerite Lake leases by paying part of the project's costs. As the project is now proceeding and the resources have been established by drilling, BP's share of its production—4.6 million cubic metres of bitumen over 25 years—has been designated as a proven reserve.

Oil and gas land holdings at year-end totalled 3,124,514 net hectares, a decrease of 1.5 per cent from 1982.

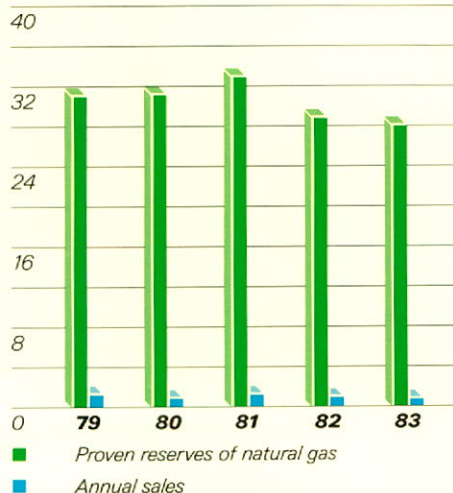
BP participated in the drilling of 23 exploratory wells in 1983, which resulted in nine oil wells and three gas wells, and in 36 development wells, of which 22 were oil wells and seven gas wells. The 25 wells drilled at the Wolf Lake project are not included in these numbers.

< < < <

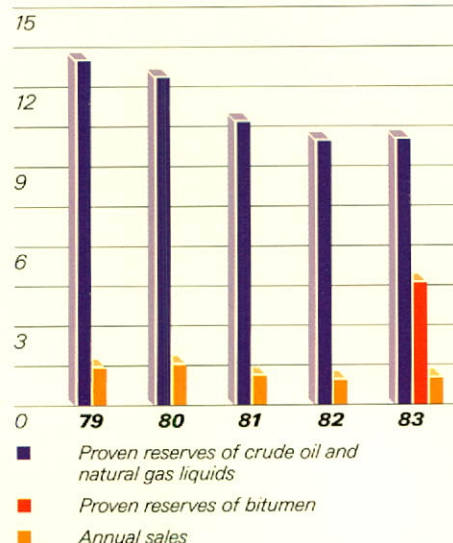
The 192 wells for the Wolf Lake project are being directionally drilled in clusters from gravel pads. Using an innovative rig and system design developed by BP's engineers and the contractors, drilling time has been steadily reduced: a recent well set a new industry record of only 26 hours. As a result, the drilling costs will be substantially lower than originally estimated.

6

Proven reserves of natural gas and gross sales
(billions of cubic metres)



Proven reserves of crude oil, natural gas liquids and bitumen and gross sales
(millions of cubic metres)



Exploration Western Canada Basin

In the Western Canada Basin, BP continued its programme of regional studies to identify new oil prospects. The main effort was again devoted to geological and geophysical analysis, with land acquisitions and exploratory drilling continuing at a lower level.

Investment in gas exploration was again kept to a minimum in view of the poor short-term outlook for gas sales and will be maintained at a low level in 1984.

In Alberta, the Company participated directly or through farmout to other companies in 18 exploratory wells—eight of which were farmouts and drilled at no cost to the Company. In the Willesden Green area of west-central Alberta, the Company has a 50 per cent interest in three exploratory wells—two of which were completed in the last quarter of the year and one early in 1984. All three wells have been cased and are presently being evaluated. Almost all of the other exploratory wells were drilled on oil prospects. Seven—two at Wapiti in the Grande Prairie area, one in the Peace River area, one at Chauvin in eastern Alberta and three in west-central Alberta at Peco, Edson and Garrington—were shallow oil discoveries, but generally with thin pays or low producibility.

Because of the gas-prone nature of BP's holdings in British Columbia, the Company participated in only four wells in the province in 1983. Two wells drilled about 160 kilometres northwest of Dawson Creek, at West Nig and Aspen (both BP 100 per cent), discovered natural gas. The two other wells, drilled on farmouts at no cost to the Company, resulted in one abandonment and one marginal gas well.

No exploratory wells were drilled in Saskatchewan.

Development

In Saskatchewan, BP participated in nine oil wells drilled at Freestone, Arcola, Battrum, Parkman, Wapella and Moose Mountain. One dry hole was also drilled.

One well was drilled in British Columbia, at Beaton River oil field, which was unsuccessful.

At the Sibbald oil field, in south eastern Alberta, the infill drilling program was completed—two oil wells and one injection well being drilled. A new battery and flow lines were installed in anticipation of a unitized water flood operation to be launched in 1984. At the Chauvin oil field, to the north of Sibbald, the water flood was expanded and one oil well was drilled during the year.

Several small development programmes were undertaken at a number of other fields, but none of these will significantly change the company's production.

In 1984, further development will be undertaken at Bellis, in east-central Alberta, to supply natural gas for steam generation at the Wolf Lake project.

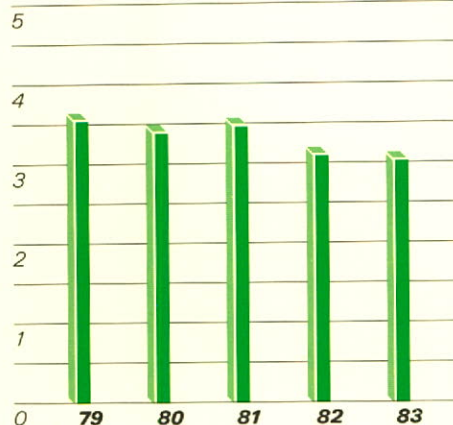
BP participated in two miscible flood projects implemented in the West Pembina Nisku pools in 1983. BP will participate in a carbon dioxide flood at Harmattan (the first in Canada), a miscible flood at Swan Hills and a further miscible flood project at West Pembina. In Saskatchewan, the Company will have a share in the province's first polymer flood, which is presently in the pilot stage.

> > > >

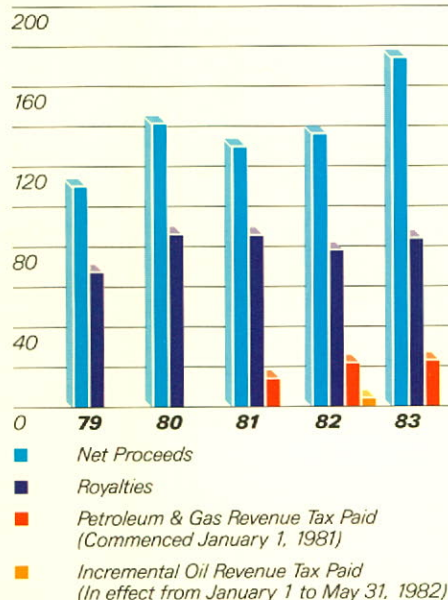
Much of BP's increased production of crude oil in 1983 was due to the implementation of two enhanced oil recovery schemes at West Pembina. From the compressor station illustrated, natural gas liquids are injected into the producing formation.



Net oil and gas land holdings
(millions of hectares)



Net proceeds compared to royalties, Petroleum & Gas Revenue Tax and Incremental Oil Revenue Tax paid
(millions of dollars)



Frontiers

Offshore Newfoundland, a further seismic programme of 2,750 kilometres was completed in October, 1983. The data, covering the southernmost of the Company's holdings, were still being evaluated at year-end.

The six exploration agreements covering BP's East Coast hectareage have not yet been signed pending the outcome of discussions between the industry and the Federal Government regarding some of the provisions which are common to all such agreements. However, the Company continues to operate under the letter of intent received in February, 1983 from the Minister of Energy, Mines and Resources. Also off the East Coast, no awards have yet been made of the seven parcels offered for sale by the federal government in 1982. BP (25 per cent) in partnership with three other companies made a bid for one of the parcels.

In the Arctic Islands, the Company continued a low investment profile. BP had a 1.96 per cent interest in two exploratory wells. One, the Maryatt K-71 was unsuccessful; the other, the Sherard Bay F-34, was still drilling at year end.

No exploration work was carried out on the extensive hectareage held in the Lancaster Sound by Magnorth Petroleum Limited (in which BP has a 38.8 per cent equity interest) nor on BP's relatively small holdings in the Beaufort Sea.

Oil Sands

In the Cold Lake oil sands area of Alberta, the Wolf Lake in situ project, to produce 7,000 barrels per day of bitumen, is under construction. At year-end, with over 100 people working on-site, the project was approximately 10 per cent complete. All the roads and drill pads have been built and 25 wells drilled. About 80 per cent of the piling required for the above-ground pipelines

has been installed and orders have been placed for most of the project's equipment. The bulk of the remaining construction work will be undertaken in 1984 and the project is now expected to be completed substantially below budget and ahead of the originally scheduled start-up date of mid-1985.

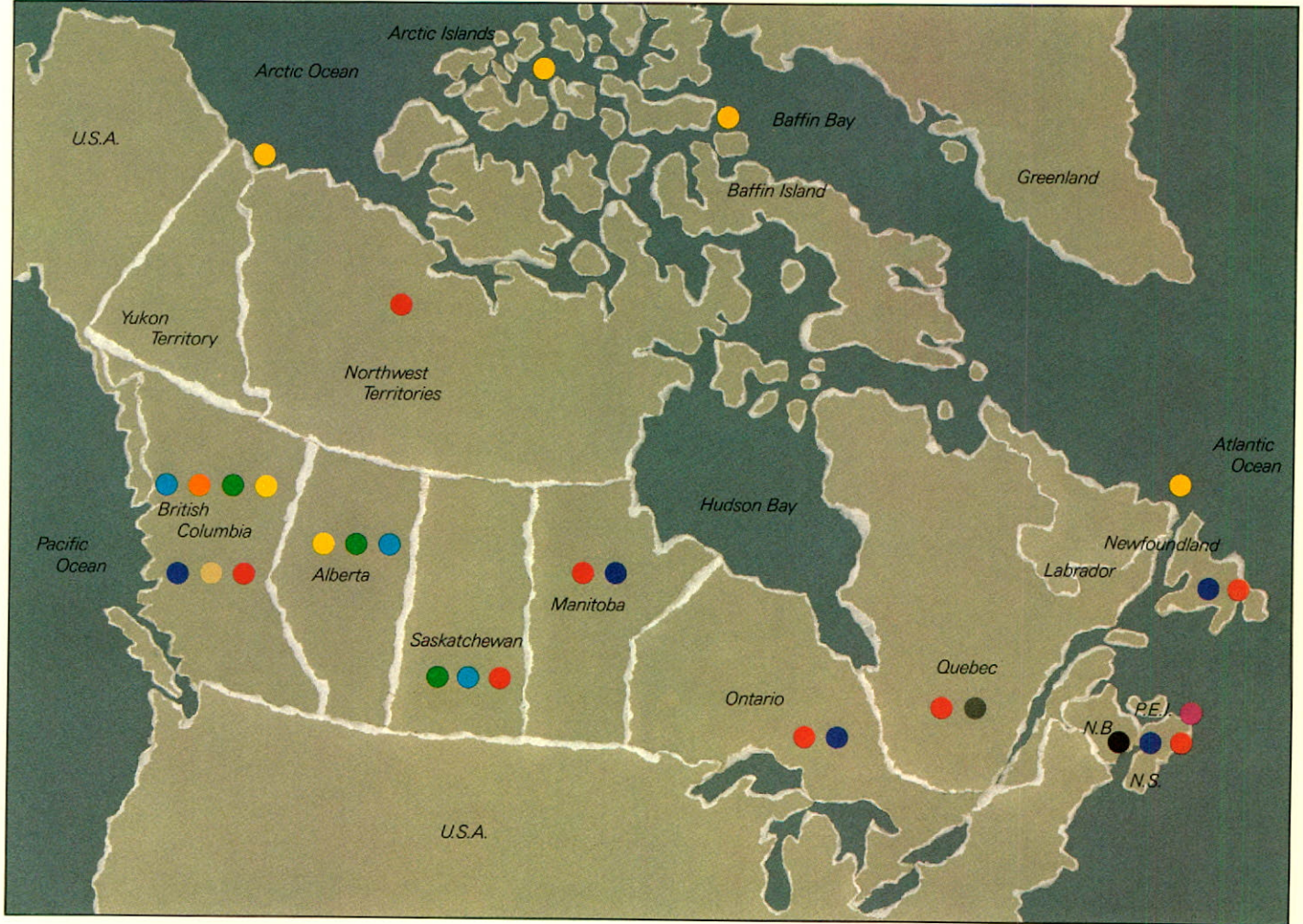
The Company has a strong technical capability and land position in the oil sands and the Wolf Lake project is expected to be the first stage of an expanded oil sands investment programme by the Company.

At the Phase A pilot project, the in situ combustion tests, which have been in progress since late 1979, have been extended to cover the entire main well pattern. Oxygen is now being injected instead of compressed air in an attempt to increase the efficiency of the process. BP expects to have acquired sufficient data by the end of 1984 to establish whether in situ combustion is a viable technique, at which time a decision will be made on the next stage. Combustion has the potential to increase substantially the amount of bitumen that can be recovered. With this possibility in mind, the Wolf Lake wells are being completed using a special heat-resistant cement so that the production process can be converted from cyclic steam injection to in situ combustion.

The single-well steam test about 10 kilometres to the south of the Phase A pilot, which in 1982 began testing another bitumen-bearing formation, has completed its first steam injection/production cycle and is now on its second cycle of production. Results so far have been very encouraging.

In the Carbonate Triangle, BP has completed a farmin to earn a 50 per cent interest in the Livock lease. Geological evaluation of the lease indicates good reservoir conditions.

BP Resources' Canada-wide operations



Oil and Gas

- Oil production
- Gas production
- Exploration

Mining and Minerals

- | | |
|---|---|
| <i>Exploration –</i> | <i>Operations –</i> |
| ● Base metals | ● Copper-gold-silver |
| ● Precious metals | ● Coal |
| ● Potash | ● Limestone |
| ● Coal | |



In Situ Recovery of Bitumen

The bitumen contained in BP's Marguerite Lake oil sands leases is too viscous to be produced by conventional methods and is buried beneath too deep an overburden to be "mined".

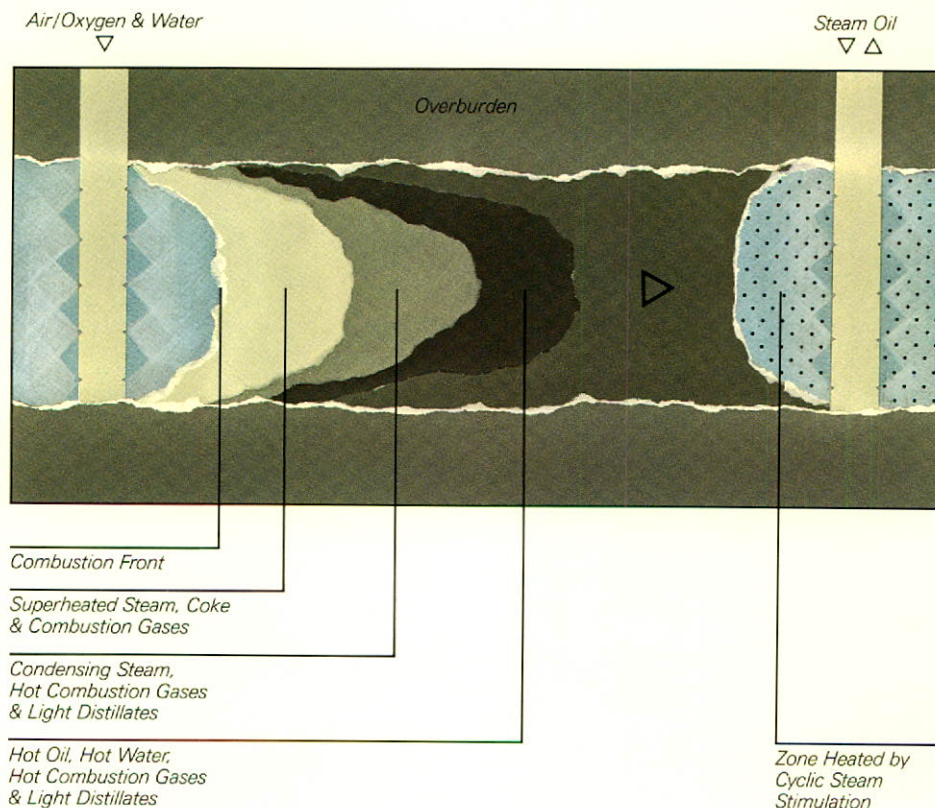
The only solution is to reduce the viscosity of the bitumen sufficiently to make it flow.

BP is using two techniques—cyclic steam stimulation and in situ combustion—to achieve this objective. Typically, recovery rates can range from 15 to 20 per cent of the bitumen in place using cyclic steam stimulation to perhaps as much as 50 per cent for in situ combustion.

In the cyclic steam stimulation process, the steam is injected and the bitumen is produced through the same well. Steam is injected down the well for several weeks. The steam is then turned off and the bitumen flows freely up the well for about one week, after which it has to be pumped to the surface. Pumping is usually continued for several months before more steam must be injected.

Instead of burning oil or natural gas on the surface to produce steam, a portion of the bitumen can be burned underground to heat the formation—the in situ combustion process.

To initiate this process, a small portion of the formation adjacent to a well is heated, using either an electric heater or by injecting high pressure steam into the well. Once a sufficiently high temperature is reached (at least 400°C), compressed air or oxygen is injected and the bitumen ignites. A combustion front is created which moves away from



the injection well towards the producing well. Since the formation contains about 10 per cent water by volume (bitumen 20 per cent and sands 70 per cent) the combustion front is preceded by a bank of steam and combustion gases, which thin the bitumen and push it towards the producing well. The sands around the producing well will previously have been heated by steam injection.

By injecting water alternately with the air or oxygen, heat is recovered which

otherwise would be lost, either by being left in the formation or escaping into the strata above and below the producing formation. This recovered heat moves through the combustion front, aiding in the heating and displacement of the bitumen.

The combustion gases produced also assist in reducing the viscosity of the bitumen—by as much as 100-fold in the cooler zone ahead of the hot oil.

< < < <

Workers install new equipment at the Sibbald oil field in southeastern Alberta in preparation for a unitized waterflood to be launched in 1984.

Gross quantities sold— crude oil & natural gas liquids (cubic metres per day)			Gross quantities sold— natural gas (thousands of cubic metres per day)		
	1983	1982		1983	1982
Alberta			Alberta		
Redwater	443	543	Edson	342	537
Pembina	420	278	SE Alberta (Alderson)	117	177
Chauvin	309	293	Grande Prairie	103	0
South Sturgeon	202	200	Atmore	95	127
Swan Hills (House Mountain)	186	187	Craigend	85	161
Kaybob	106	131	Minnihik Buck Lake (Pembina)	78	95
Harmattan	61	75	Calgary	69	49
Joarcam	50	49	Crossfield	69	24
Sibbald	39	12	Kaybob	60	82
Red Earth	26	32	Pouce Coupé	60	7
Mitsue Gilwood	23	25	Stolberg	58	74
Snipe Lake	22	23	Okotoks	55	59
Crossfield	20	3	Harmattan	45	62
Medicine River	19	20	Chauvin	37	55
Edson	19	21	Bellis	34	33
Alexis	12	21	Marten Hills	25	40
Carson Creek	12	15	Ghost Pine	23	34
Ponoka (Chigwell)	12	14	Sullivan Lake	22	28
Others	146	51	Redwater	21	27
	2,127	1,993	Others	193	215
				1,591	1,886
British Columbia			British Columbia		
Beaton River	84	80	Sukunka	465	438
Others	7	9	Yo Yo Cabin	400	438
	91	89	Bullmoose	125	28
			Gote	21	18
			Others	24	70
				1,035	992
Saskatchewan			Saskatchewan		
Dollard	112	96		18	17
Kenosee	57	43		18	17
Weyburn	54	63			
Instow	49	40			
Steelman	40	26			
Parkman	34	20			
Rapdan	32	27			
Alida (Arlington)	28	18			
Battrum	23	18			
Wapella	18	18			
Arcola	14	7			
Cannington Manor	12	8			
Others	71	79			
	544	463			
Total all areas	2,762	2,545	Total all areas	2,644	2,895

Production is recorded in volumes gross before royalty.

Production is recorded in volumes gross before royalty.

Summary of drilling	Oil		Gas		Oil Sands		Dry	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory wells								
Working interest	3	1.04	2	2.0	—	—	8	3.89
Farmout (interest retained)	6	0.16	1	0.25	—	—	3	0.21
Development wells								
Working interest	20	6.41	3	2.0	—	—	5	3.55
Farmout (interest retained)	2	0.25	4	—	25	12.5	2	0.25

This table excludes the following wells: Five water-injection; four drilling; one water-disposal.

Land summary	December 31, 1983		December 31, 1982	
	(gross hectares)	(net hectares)	(gross hectares)	(net hectares)
Exploration Lands				
Petroleum & Natural Gas Leases				
Arctic Islands	—	—	—	—
Alberta	635,056	291,778	670,968	267,373
British Columbia	351,841	136,563	339,455	155,491
Saskatchewan	2,663	279	5,309	963
Northwest Territories	12,773	1,277	12,773	1,277
	1,002,333	429,897	1,028,505	425,104
Reservations & Permits				
Alberta	71,289	46,016	106,297	58,823
British Columbia	37,947	21,492	135,195	57,576
Northwest Territories	520,305	29,694	520,305	29,694
Arctic Islands	1,483,732	82,634	1,483,732	82,634
East Coast	5,280,733	2,376,330	5,280,733	2,376,330
	7,394,006	2,556,166	7,526,262	2,605,057
Total Petroleum & Natural Gas Exploration	8,396,339	2,986,063	8,554,767	3,030,161
Proven lands				
Petroleum & Natural Gas Leases				
Arctic Islands	1,771	56	1,771	56
Alberta	341,347	117,303	335,505	125,830
British Columbia	29,117	12,132	17,655	7,458
Saskatchewan	29,290	8,960	26,906	8,415
Total petroleum & natural gas proven	401,525	138,451	381,837	141,759

Proven reserves (Gross Before Royalty)	Oil & NGL (cubic metres)	Natural Gas (million cubic metres)	Bitumen (thousand cubic metres)
Proven reserves at December 31, 1982	9,931,803	29,460	—
Add: Discoveries and Extensions	99,192	522	4,600
Net Revisions to Existing Reserves	924,937	—	—
	10,955,932	29,982	4,600
Less: Production During 1983	1,008,434	966	—
Net Revisions to Existing Reserves	—	62	—
Proven reserves at December 31, 1983	9,947,498	28,954	4,600
Location of reserves by province:			
Alberta	8,103,002	18,331	4,600
Saskatchewan	1,610,172	60	—
British Columbia	234,324	10,563	—

This table does not include the Company's share of natural gas reserves delineated in the Arctic Islands.

With the acquisition of Selco Inc. in October 1983, BP has gained an important stake in the mining and minerals industry.

The business comprises three operating properties, a wide range of exploration prospects at various stages of development and geophysical and data-processing services.

Operations

Copper, gold and silver are produced from an underground mine near Joutel in northwestern Quebec, operated by Les Mines Selbaie, which is a joint venture between BP as Manager (66 2/3 per cent) and Dome Petroleum Limited (33 1/3 per cent).

The mine operated at full capacity in 1983, producing 535,000 tonnes of ore grading 3.43 per cent copper, 1.7 grams per tonne gold, and 37.2 grams per tonne silver. Production, which began in 1981, comes entirely from the B-zone where, at current levels, reserves are sufficient to maintain operations until 1990. Exploration is underway in an attempt to increase reserves by drifting and diamond drilling both below and to the south of the B-zone.

Adjacent to the B-zone is the A-1 zone, which contains zinc, copper and silver. A study is currently in progress to determine the feasibility of bringing these reserves into production by open-pit mining.

A third zone, the A-2, containing copper-gold-zinc mineralization, is immediately to the east of the A-1 zone and is a potential underground mining project,

The mine is one of the lowest-cost producers of copper in Canada, after taking credit for the precious metals. Although at recent very depressed prices a small loss was made, at U.S. 80 cents per pound for copper, which the Company feels is a reasonable long-term expectation, the mine makes a significant contribution to profits.

Forecasting mining profitability is difficult, but changes in metals prices would have roughly the following effect on the Company's pre-tax revenue: U.S. 10 cents per pound on copper—\$2.8 million; U.S. \$1 per ounce on silver—\$0.24 million; U.S. \$50 per ounce on gold—\$0.50 million.

On Cape Breton Island, the Company manages and has an 80 per cent interest in a joint venture which operates two coal reclamation plants.

At Langley, near Vancouver, a limestone processing plant produces quicklime and crushed limestone products for sale in British Columbia and Washington to the mining, pulp, glass, agriculture and construction industries.

Capacity of the plant is 70,000 tonnes per year of quicklime and 125,000 tonnes of crushed limestone. All operating equipment is relatively new, having been constructed or replaced since 1980.

> > > >

BP manages and has a two-thirds interest in Les Mines Selbaie, which operates a copper-gold-silver mine in this remote region of northwestern Quebec.





Exploration

Active programmes were conducted throughout 1983 both by BP's minerals department and by Selco. At year end these programmes and the two exploration staffs were integrated within the Company's Mining and Minerals Division.

Exploration work during 1983 has resulted in the identification of three projects in British Columbia, one in Manitoba and one in Newfoundland on which detailed follow-up work is warranted during 1984.

In addition to these projects, a wide ranging exploration programme is continuing across Canada in a search for precious metal and polymetallic precious/base metal deposits and, to a lesser extent, for tin, tungsten, molybdenum and diamonds. Exploration for uranium terminated at year end.

An integral part of any exploration programme is the endeavour to farm in to discoveries or promising exploration work being carried out by others. The Mining and Minerals Division maintains an active search for such opportunities and solicits property and programme submissions.

Services

Selco owns two businesses which supply services on a contractual basis to natural resource companies and government departments.

Questor Surveys, a wholly-owned subsidiary, carries out airborne geophysical surveys.

Dataplotting Services is engaged primarily in the processing and graphical presentation of geophysical and geochemical data for the mining industry. A secondary activity is its function as a timesharing computer bureau.

Potash

Work to evaluate the Company's potash property at Sussex, New Brunswick continued throughout 1983. Drilling results continue to be regarded as promising and a study to assess the feasibility of sinking an exploratory shaft was nearing completion at year end.

Any development of this property would be a long term project aimed at achieving production by around the end of this decade.

Coal

In view of the poor market outlook, coal exploration has ceased for the time being. For the same reason, no work was carried out at the Company's Sukunka coal property in northeastern British Columbia, where BP's share of the high-quality metallurgical coal it contains is estimated at 294 million tonnes.

Land Summary	December 31, 1983		December 31, 1982	
	(gross hectares)	(net hectares)	(gross hectares)	(net hectares)
Coal	21,979	20,522	26,404	17,339
Potash	10,117	10,117	10,117	10,117
Minerals	814,301*	545,066*	344,250	211,239

*Includes 564,252 gross hectares (371,798 net hectares) acquired with the purchase of Selco Inc. on October 31, 1983.

Policy and Objectives: Highlights

General

General objective

The general objective of BP Resources Canada Limited (the Corporation) is to conduct its business efficiently and profitably as a publicly quoted corporation within the multinational BP group of companies, while meeting its obligations to society, thereby contributing to the wealth of the communities in which it operates. The Corporation's activities and operations, while obeying the laws and regulations of the jurisdictions within which it conducts its business, should earn the approval of these communities, provide a service to customers and attract the willing cooperation of its employees. The measure of the Corporation's success will be the increases in the value of the business, the shareholders' equity and the dividend resulting from profitable growth and the maximum return on investment commensurate with risk.

The principal businesses of the Corporation are the exploration for, and production of oil, gas and its byproducts, and the exploration for, and production of base and precious metals, coal, potash and limestone. The Corporation's objective in engaging in such businesses is to develop whatever opportunities it can to the maximum extent compatible with its criteria for risk and reward. The Corporation, however, will also seek investment opportunities in other activities, concentrating on those where its resources of finance, skill and technology can best be utilized. It is expected that most of those additional activities will be connected with the exploration for, and production of natural resources and the manufacture and marketing of products derived from them.

Shareholders

Pursuit of the Corporation's General Objective is intended to maximize the value of the shareholders' equity through profitable investment (or, if appropriate, divestment) and to maintain the maximum return on shareholders' equity commensurate with risk.

Specific Objectives

Investment planning and finance

Investment will be directed to those activities where the overall balance of reward and risk appears to be optimum by reference to the Corporation's objective of maximizing its present worth.

At the very least, the aim will be to provide the Corporation's shareholders with a real return, which, over the long run, is not less than that which they could have obtained from equity holdings in a comparable business.

Investment criteria will be sufficiently flexible to deal with the diversity of the Corporation's current and potential activities and of the rewards and risks which they present.

Fiscal matters

The Corporation will plan and manage its fiscal affairs in the shareholders' interest, taking care that its legal obligations are met and that the effects of fiscal changes are accounted for in the monitoring and control of the business of the Corporation.

The Corporation will ensure that the possibility of future fiscal changes is taken into account both when evaluating projects in which they have an important influence on profitability and when considering general strategy.

Manpower and employee relations

The Corporation, to the extent practical, will hire locally and will seek to develop the people necessary for the success of its business by personnel policies which attract, retain and motivate those who have the required skills and personal qualities and will prepare employees for their responsibilities by appropriate training. The Corporation will conduct itself as a responsible employer, conforming to legislation and taking account of the appropriate industry and community employment practices.

In promoting equality of opportunities for employees, the Corporation will continue to comply with, or exceed, the requirements of local practice and legislation.

Procurement policy

The Corporation's policy, as far as is practical, is to procure goods and services on a competitive basis from local sources provided this does not involve economic penalties, having regard to price, technical requirements, reliability, service and timely delivery.

Health, safety and the environment

The Corporation, in the conduct of its activities, will seek to protect the health and safety of its employees and others who may be affected by them, and to limit their adverse effects on the physical environment. An integral part of the Corporation's policy will be

to encourage employees to participate in the prevention of accidents and the protection of health. In so doing, the Corporation will set and maintain standards which will meet, or exceed, the relevant statutory requirements.

Social responsibility

The Corporation's primary responsibility to society is to create wealth by conducting its business successfully, efficiently and in a manner that conforms to society's reasonable expectations. The Corporation will take part in and support selected programs for community development, equality of opportunity, education and the arts, particularly in places where there are many Corporation employees and in fields related to the Corporation's activities.

Gifts

The Corporation will not make payments or gifts to officials or personnel of any government—federal, provincial or municipal. Relationships with them, and with employees of public authorities, suppliers and customers must be of a kind that will stand up to public scrutiny. Payments by the Corporation of commissions, consultants' fees, retainers and the like must relate to, and be commensurate with, the services performed and the size of the contract and be accounted for. The use of the funds or assets of the Corporation for unlawful or improper purposes is prohibited.



BP is an active participant in industry and business associations. Dr. E.W. Best, Vice-President, Oil and Gas, is pictured here during one of his many speaking engagements in his capacity as Chairman of the Board of Governors of the Canadian Petroleum Association during 1983-84.



Questor Surveys, a wholly-owned subsidiary of Selco, carries out airborne geophysical surveys using both fixed-wing aircraft and helicopters.

In complying with environmental legislation and guidelines in the many jurisdictions in which it works, BP's primary goal is to facilitate sound environmental management practice by integrated planning and early identification of environmental concerns.

This approach was exemplified in 1983 by two programmes—one at the Millstream potash project in New Brunswick and the other at the Wolf Lake oil sands project in northeastern Alberta.

At Millstream, the pre-development environmental monitoring study was completed. The broad-scope study, started in 1982, was designed to gather baseline data concerning the climate, fisheries, soils and water resources of the area. It has provided a thorough understanding of the nature and sensitivity of the Millstream environment.

At Wolf Lake, to ensure that environmental integrity is preserved during the drilling of the injection/production wells, monitoring and waste-handling programmes were designed and are being implemented.

Other environmental protection activities include a variety of land-reclamation programmes and research projects and studies related to offshore oil exploration.

During the year, a medical centre was established at the Calgary office to provide occupational health services, emergency treatment, medical examinations and employee counselling.

In 1983, a series of loss-control audits was completed at the Company's oil and gas production facilities. An interdisciplinary team reviewed safety, health, environmental and operating procedures and made recommendations for improvements. These audits ensure that field facilities operate at maximum efficiency with due regard for employees' health and safety and the protection of the environment.

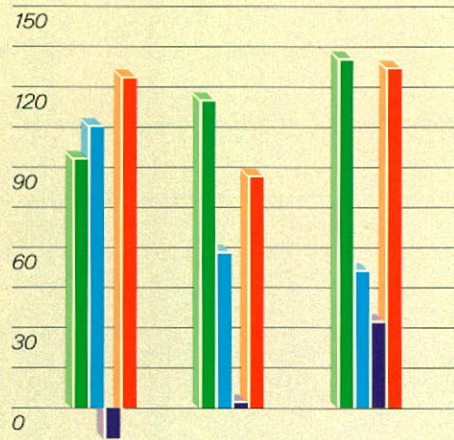
BP maintained its corporate donations programme in 1983, supporting a wide range of charitable and other causes in many regions of Canada. Health and welfare organizations continued to be the main beneficiaries, receiving over 50 per cent of the funds, with cultural, educational and community appeals sharing the balance.

> > > >

A project funded by BP to determine the feasibility of reintroducing mountain goats to Bullmoose Mountain in northeastern British Columbia was brought to fruition in 1983, when the province's Fish and Wildlife Branch lifted 11 of the animals to the mountain top by helicopter. Collar-mounted radio transmitters will be used to monitor their progress.

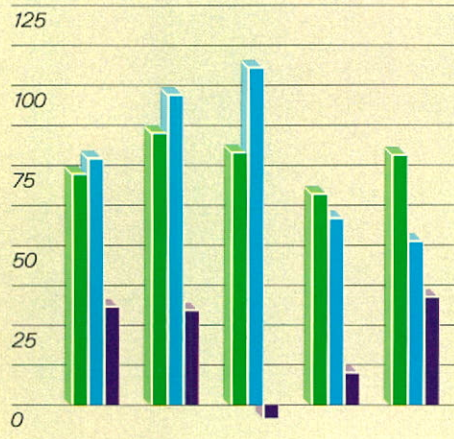


Highlights of some significant changes (millions of dollars)



- (30) **81 82 83**
- Net payments to governments
 - Capital expenditure, including amounts charged to income
 - Current year's earnings retained in the business
 - Funds available for investment

Financial Review BP Resources Canada Limited (millions of dollars)



- (25) **79 80 81 82 83**
- Funds from operations before exploration expenditures
 - Capital expenditures
 - Net income

BP Resources Canada Limited was formed to continue the business of the natural resources segment of BP Canada Inc. effective February 28, 1983 and the financial statements include the operations of that segment for periods prior to that date.

The consolidated net income, before extraordinary item, for the year 1983 amounted to \$23.6 million, or \$1.09 per share, an increase of \$13.6 million, or 136.7 per cent, from the comparable previous year's earnings of \$10.0 million of the natural resources segment of BP Canada Inc. and represents a rate of return on average capital, including deferred income tax, of 7.4 per cent. The results of the operations of Selco Inc., which are included from the date of acquisition on October 31, 1983, had no material effect on these earnings.

Net income for the year 1983 amounted to \$34.4 million, or \$1.60 per share.

Revenue from gross sales increased to \$205.7 million from the \$161.1 million comparable figure in the previous year. This increase was attributable to higher production of oil and gas liquids and higher prices for crude oil and natural gas.

Income, before tax and extraordinary item, increased to \$66.2 million from \$32.9 million in the previous year. Total expenses increased \$12.8 million to \$116.8 million, with increases in operating and administrative expenses being offset in part by a reduction in dry hole costs.

Cash flow from operations, before exploration expenditures, was \$78.0 million, \$12.7 million, or 19.5 per cent, higher than the comparable figure for the previous year. Capital expenditures, including exploration charged directly to income, decreased by \$7.4 million to \$51.0 million.

Net working capital at December 31, 1983 was \$102.6 million, an increase of \$39.9 million from the previous year end, which is principally the result of income tax recoveries offset in part by an increase in accounts payable.

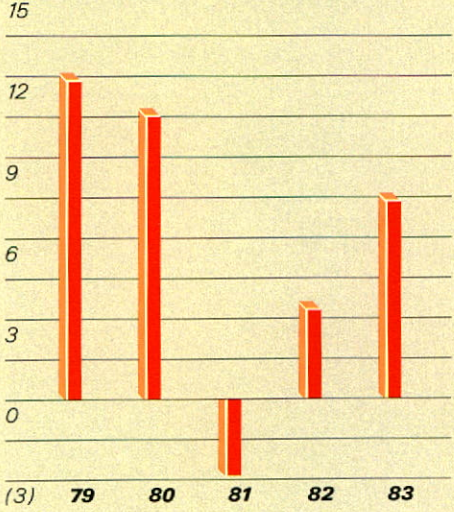
The total income tax provision for the year of \$42.7 million represents an effective rate of tax on income, before extraordinary item of 64.4 per cent. An income tax recovery of \$10.9 million has been recorded as an extraordinary item.

The results reported give no effect to the impact of inflation and it is recognized that in periods of rapidly rising prices, costs usually used in the determination of financial results generally are less than the current cost of replacing assets used in producing current revenues. However, in the oil and gas industry, increasing the costs to such amounts to arrive at "current cost income" could be misleading as recognition is not at the same time given to the increase in value of oil and gas reserves. Estimation of reserves is itself not an exact process and because of the wide uncertainty surrounding future oil and gas prices, no attempt is made to estimate the current value of the Company's proven reserves or to calculate the increase in value in the year.

While no adjustment of financial results is made to reflect the effect of changing prices, information as to the volumes of reserves is provided on page 13.

Payments to Governments

**Return on average capital employed
before extraordinary item
(per cent)**



Payments to governments

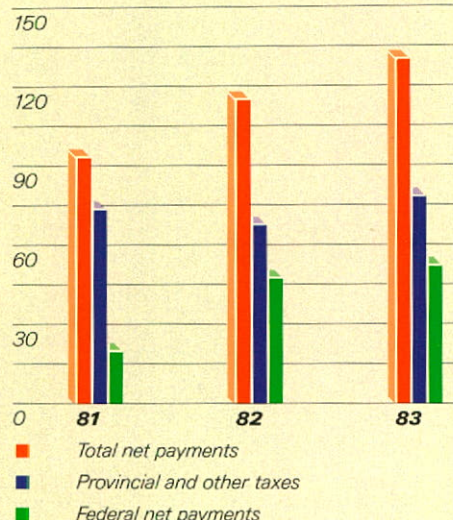
(thousands of dollars)

	1983		1982		1981	
	Federal	Provincial	Federal	Provincial	Federal	Provincial
Payments excluded from the financial statements						
Royalties (in kind)		\$74,999		\$67,991		\$74,884
		74,999		67,991		74,884
Payments included in the financial statements						
Petroleum and Gas Revenue Tax	\$22,683		\$21,679		\$13,483	
Incremental Oil Revenue Tax	—		2,610		—	
Mineral taxes		910		942		1,461
Property and other taxes	353	1,763	475	1,532	216	1,066
Income taxes payable currently	29,785	2,113	24,222	(1,648)	6,393	(1,744)
	52,821	4,786	48,986	826	20,092	783
Total payments	52,821	79,785	48,986	68,817	20,092	75,667
Less amounts recoverable:						
Petroleum incentive payments	756		1,503		380	
Drilling incentives		1,631		1,239		2,070
	52,065	78,154	47,483	67,578	19,712	73,597
Net payments	\$130,219		\$115,061		\$93,309	

BP Resources Canada Limited Summary of Accounting Policies

24

**Government taxes, levies
and incentives**
(millions of dollars)



The principal accounting policies are as follows:

Investment in subsidiary companies -

The consolidated financial statements include the accounts of subsidiary companies, all of which are wholly-owned. When a business is purchased, assets and liabilities are recorded at their fair values at the date of acquisition and depreciation, depletion and amortization from that date are based on these values. The Company uses the proportionate consolidation method to account for its investment in joint ventures whereby its pro rata share of each of the assets, liabilities, revenues and expenses of joint ventures is included in the consolidated financial statements.

Property, plant and equipment; depreciation, depletion and amortization -

Production and mining assets:

Property, plant and equipment includes the cost of land and facilities and of significant improvements thereto. Generally, depreciation and amortization are provided on assets on a straight line basis over their estimated useful lives which are as follows:

	Number of years
Production assets -	
Tanks and pipelines	25
Equipment	4 to 12
Automotive equipment	5

Depreciation and depletion of mining assets are charged against income on the unit of production method based on estimated recoverable ore reserves.

Exploration and development costs:

Oil and Gas -

A successful efforts method of accounting is used, whereby the acquisition costs of oil and gas properties, the costs of exploratory wells and the costs of drilling and equipping development wells are capitalized. Acquisition costs are amortized on a straight line basis over the term of the lease until such time as they are determined to be productive or judged to be impaired. Unamortized acquisition costs of productive oil and gas properties and costs of successful exploratory drilling and of drilling and equipping development wells are charged against income on the unit of production method based upon proven reserves of oil and gas. Exploratory dry hole and acquisition costs judged to be impaired are charged against income. Other exploration expenditures are charged against income.

Mining and Minerals -

All expenditure on exploration projects, including indirect overhead expenditures, are charged to income in the year incurred. When it is determined that a commercially viable project exists, all costs incurred subsequently are capitalized as mining assets.

Potash and Coal -

Property acquisition and pre-production costs are capitalized and are to be amortized at the commencement of commercial production.

Research and development costs:

The capital costs of a field project to produce heavy oil from the Company's deposits in Alberta are amortized on a straight line basis over the life of the project, planned to be concluded in 1986. Other research costs are charged to income in the year incurred. Development costs related to commercially viable projects are deferred and amortized on a straight line basis over periods not exceeding five years, commencing in the year the technology is placed in service.

Inventories -

Inventories of products are valued at the lower of cost and net realizable value. Materials in process, raw materials and supplies are valued at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis.

Gas supply contract advances -

Payments received under take or pay contracts for gas which is not delivered are deferred, and are recognized as revenue when deliveries are made, or at the end of the period allowed for such deliveries.

Sales -

Revenue from metals contained in mine concentrates is recognized at the time of production based on an estimated realizable value, and is subsequently adjusted to reflect actual metal prices at the date of settlement.

Government taxes and incentives -

Federal and provincial exploration incentives (such as those received under the Petroleum Incentive Program and Alberta drilling incentive credits) are deducted from the related expenditures which are then included in expense in accordance with the applicable accounting policy.

Income taxes are provided on the tax allocation basis of accounting under which the provision for income taxes is computed on the basis of income reported in the financial statements rather than that reported in the Company's tax returns.

Foreign currency translation -

Amounts in currencies other than Canadian dollars have been translated as follows: current assets and current liabilities — at the rate of exchange prevailing at the year-end; revenues and expenses — at rates prevailing throughout the year. Gains and losses resulting from the translation are recognized in the consolidated statement of income.

Report of Management

26

The Board of Directors is responsible for the financial statements of the Company but has delegated responsibility for their preparation to management. Management, in fulfilling its responsibilities, has developed and maintained a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable for preparing the financial statements. Management exercises its judgment in determining that a reasonable balance is maintained between the costs of such controls and the benefits to be derived therefrom. The financial statements necessarily include some amounts that are based on management's best estimates and judgments.

The Board of Directors, through its audit committee, is responsible for ensuring that management fulfills its responsibilities in the preparation of the financial statements.

Each year the shareholders appoint independent auditors to examine and report directly to them on the financial statements. The audit committee, which is composed of directors who are not employees of the Company, meets with management, the internal auditors and the independent auditors to review the audit scope and any recommendations for improvements in the Company's internal controls. The independent auditors, upon completion of their audit, issue a report as to whether the financial statements in their opinion present fairly the financial position and results of operations of the Company in accordance with generally accepted accounting principles applied on a consistent basis.

March 6, 1984

Auditors' Report

To the Shareholders of
BP Resources Canada Limited:

We have examined the consolidated balance sheet of BP Resources Canada Limited as at December 31, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada,
March 6, 1984

Clarkson Gordon
Chartered Accountants

**BP Resources Canada
Limited
Consolidated Statement
of Income**

for the year ended December 31, 1983

27

<i>(thousands of dollars)</i>	1983	1982
Revenue:		
Gross sales	\$205,689	\$ 161,116
Less—		
Petroleum and Gas Revenue Tax	(22,683)	(21,679)
Incremental Oil Revenue Tax	—	(2,610)
Net sales	183,006	136,827
Expenses:		
Operating and administrative	62,292	48,651
Depreciation	7,369	6,528
Depletion	8,643	7,214
Amortization	10,633	10,077
Dry hole costs	12,878	16,912
Exploration expenditures	14,954	14,556
Total expenses	116,769	103,938
Income before the following:	66,237	32,889
Income taxes (note 7):		
Current	42,750	22,574
Deferred	(74)	359
	42,676	22,933
Income before extraordinary item	23,561	9,956
Extraordinary income tax recovery	10,852	—
Net income for the year	\$ 34,413	\$ 9,956
Net income per common share:	\$	\$
<i>(dollars)</i>		
Before extraordinary item	1.09	0.46
After extraordinary item	1.60	0.46

See accompanying notes and summary of accounting policies

**BP Resources Canada
Limited
Consolidated Statement
of Retained Earnings**

28

for the year ended December 31, 1983

<i>(thousands of dollars)</i>	1983	1982
Balance, beginning of the year	\$19,536	\$17,417
Net income for the year	34,413	9,956
	53,949	27,373
Dividends	2,156	—
Distribution of segment income	—	7,837
Balance, end of the year	\$51,793	\$19,536

See accompanying notes and summary of accounting policies

**BP Resources Canada
Limited
Consolidated Statement of
Changes in Financial Position**

for the year ended December 31, 1983

29

(thousands of dollars)	1983	1982
Source of funds:		
Income before extraordinary item	\$ 23,561	\$ 9,956
Add items not resulting in a flow of funds		
Depreciation, depletion, amortization and dry hole costs, deferred income taxes and other	39,475	40,744
Total funds derived from operations	63,036	50,700
Add exploration expenditures	14,954	14,556
Funds from operations before exploration expenditures	77,990	65,256
Proceeds on sale of property, plant and equipment	248	778
Gas supply contract advances	6,697	21,107
Income tax recovery	10,852	—
Advance from parent company	—	30,576
Parent company share of coal project costs	30,576	—
Total funds derived	126,363	117,717
Application of funds:		
Expenditures for property, plant and equipment	36,027	43,873
Exploration expenditures charged directly to income	14,954	14,556
	50,981	58,429
Acquisition of Selco Inc. less acquired working capital of \$48,931	429	—
Repayment of debt to parent	30,576	—
Repayment of debt to affiliates	—	69,273
Cash dividends	2,156	—
Distribution of segment income	—	7,837
Other	2,326	22
Total funds applied	86,468	135,561
Increase (decrease) in working capital	39,895	(17,844)
Working capital, beginning of the year	62,664	80,508
Working capital, end of the year	\$102,559	\$ 62,664
Changes in the components of working capital reflect:		
Increase in taxes recoverable	\$ 37,972	—
(Increase) decrease in taxes payable	15,682	\$ (23,968)
Changes in cash balances and bank borrowings	(25,732)	11,695
Increase (decrease) in accounts receivable	23,736	(11,040)
(Increase) decrease in accounts payable	(15,032)	5,361
Other	3,269	108
	\$ 39,895	\$ (17,844)

See accompanying notes and summary of accounting policies

BP Resources Canada Limited
*(Incorporated under the
Canada Business Corporations Act)*
Consolidated Balance Sheet

30

December 31, 1983

Assets

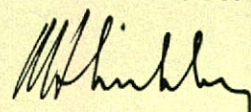
<i>(thousands of dollars)</i>	1983	1982
Current:		
Cash and short term investments at cost	\$ 22,542	\$ 48,274
Accounts receivable	74,352	50,616
Inventories (note 3)	9,966	6,800
Income taxes recoverable	37,972	—
Prepaid expenses and deposits	471	368
Total current assets	145,303	106,058
Investments and advances at cost:		
Investments in other companies	1,949	362
Mortgages, loans and other assets	1,953	837
Total investments and advances	3,902	1,199
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization (note 4)	277,515	311,809
	\$426,720	\$419,066

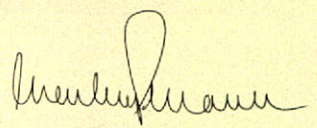
Liabilities

<i>(thousands of dollars)</i>	1983	1982
Current:		
Accounts payable and accrued liabilities	\$ 41,202	\$ 26,170
Income and other taxes payable	1,542	17,224
Total current liabilities	42,744	43,394
Advance from parent company	—	30,576
Gas supply contract advances	47,969	41,272
Deferred income taxes	87,838	87,912
Shareholders' equity (note 1):		
Share capital (note 6)	100,803	100,803
Contributed surplus	95,573	95,573
Retained earnings	51,793	19,536
	248,169	215,912
	\$426,720	\$419,066

See accompanying notes and summary of accounting policies

On behalf of the Board:


M.A. Kirkby, Director


Charles Perrault, Director

**BP Resources Canada
Limited
Notes to Consolidated
Financial Statements**

December 31, 1983

31

1. The company

Under an agreement to sell its refining and marketing business to Petro-Canada Exploration Inc. (Petro-Canada), BP Canada Inc. was reorganized on February 28, 1983 into two separate publicly traded companies. BP Resources Canada Limited continued the business of the natural resources segment of BP

Canada Inc. and these financial statements include only the assets, liabilities, revenues and expenses of that segment for all periods presented. The equity investment has been allocated as at December 31, 1982 to share capital \$100,803,000 and to contributed surplus \$95,573,000.

2. Acquisition of Selco Inc.

On October 31, 1983 the Company acquired from wholly-owned subsidiaries of the Company's parent, The British Petroleum Company p.l.c., all the outstanding shares of Selco Inc., a company primarily engaged in minerals mining and exploration in Canada. The purchase price of \$50,000,000 is subject to adjustment for the effect of changes in metal prices in the subsequent five

years and could increase or decrease by a maximum of \$25,000,000. The acquisition has been accounted for by the purchase method, with the operating results from the date of acquisition included in the consolidated financial statements. The allocation of the purchase price to the assets acquired, including the benefit of pre-acquisition income tax losses, is summarized below:

Income taxes recoverable	\$36,112,000
Other working capital	12,819,000
Loans	1,069,000
	\$50,000,000

The purchase consideration was satisfied by a cash payment of \$49,360,000 and the assumption of long term debt

of \$640,000 and the issue of 2 common shares of the Company.

3. Inventories

Inventories consist of:

<i>(thousands of dollars)</i>	1983	1982
Oil and gas:		
Materials and supplies	\$ 6,001	\$ 5,884
Sulphur	885	916
	\$ 6,886	\$ 6,800
Mining and minerals:		
Materials and supplies	\$ 3,080	—
	\$ 9,966	\$ 6,800

4. Property, plant and equipment

<i>(thousands of dollars)</i>	1983			1982
	<i>Investment at cost</i>	<i>Accumulated depreciation, depletion and amortization</i>	<i>Net investment</i>	<i>Net investment</i>
Oil and gas:				
Petroleum and natural gas rights	\$318,799	\$138,264	\$180,535	\$196,246
Production equipment	133,926	62,412	71,514	63,158
Other assets	448	7	441	—
Mining and minerals:				
Mining assets	203	6	197	—
Coal	17,964	—	17,964	47,540
Potash	6,797	—	6,797	4,865
Other assets	244	177	67	—
	\$478,381	\$200,866	\$277,515	\$311,809

5. Sukunka coal project - northeastern British Columbia

In November, 1983, the Company repaid the advance of \$30,576,000 from the parent company and received \$30,576,000 representing the parent company's share of the costs incurred in acquiring and developing the proj-

ect. In December, 1983 the parent company's interest was acquired for \$1,000,000 cash. The project is on a care and maintenance basis until conditions indicate that a commercial mine can be established.

6. Share capital

<i>(thousands of dollars)</i>	1983	1982
Authorized:		
30,000,000 common shares without nominal or par value		
Issued:		
21,558,626.8 common shares (21,558,624.8 in 1982)	\$100,803	\$ 100,803

As part of the reorganization under the agreement described in Note 1, the Company issued one common share for each share previously issued by BP Canada Inc. For periods to February 28, 1983 the number of shares assumed to have been issued is the number of

BP Canada Inc. shares which were issued and outstanding.

In December, 1983 the Board of Directors of BP Resources Canada Limited approved an optional stock dividend policy to be effective in 1984 and subsequent years.

7. Income taxes

Income taxes in 1983 and 1982 are \$42,676,000 and \$22,933,000 respectively. Income tax expense from the amounts that would be computed by

applying the Canadian federal and provincial income tax rates to income before income taxes for the following reasons:

<i>(thousands of dollars)</i>	1983		1982	
		% of pretax income		% of pretax income
Income taxes calculated at the statutory rate	\$ 31,794	48	\$ 16,829	49
Increase (decrease) in income taxes resulting from:				
Non-deductible royalties, mineral taxes and expenses	36,703	55	33,983	99
Petroleum and Gas Revenue Tax	10,970	16	10,701	31
Incremental Oil Revenue Tax			(1,287)	(4)
Federal resource allowance	(24,114)	(36)	(20,004)	(58)
Provincial rebates	(6,869)	(10)	(7,084)	(21)
Depletion allowance earned by exploration and development expenditures	(6,256)	(9)	(9,817)	(28)
Other	448		(388)	(1)
Income taxes	\$ 42,676	64%	\$ 22,933	67%

8. Transactions with related parties

In addition to the transactions described previously, the Company has technical service agreements with the BP Group under which it paid \$212,000 in 1983 (\$251,000 in 1982). Included in accounts receivable at the year end is an amount of \$172,000 (\$835,000 in

1982) due from BP Canadian Holdings Limited \$286,000 due from BP International Limited in 1983 (in 1982 this was a payable of \$194,000) and \$169,089 due to other affiliates (in 1982 nil).

9. Pension plans

An actuarial valuation of the Company's pension plans as at December 31, 1983

indicated that all liabilities were fully funded.

10. Commitments

Total future minimum lease payments under operating leases amount to approximately \$16,750,000 (\$7,334,000 at December 31, 1982) which are payable as follows:

1984 -	\$3,365,000
1985 -	\$3,220,000
1986 -	\$3,031,000
1987 -	\$3,023,000
1988 -	\$3,003,000
thereafter -	\$1,108,000

11. Segmented information

The Company's primary activities are the exploration for and the production from oil and gas reserves, and subsequent to the acquisition of Selco Inc. on October 31, 1983 the exploration for and

mining of minerals. As the before tax effect of the two months operations of mining and minerals is not significant to the results of the Company no segmented information is shown.

Five Year Financial Summary

36

	1983	1982	1981	1980	1979
<i>(thousands of dollars, except per share amounts)</i>					
Balance sheet					
Current assets	\$145,303	\$106,058	\$106,780	\$114,876	\$109,728
Current liabilities	42,744	43,394	26,272	51,380	41,138
Working capital	102,559	62,664	80,508	63,496	68,590
Investment and advances	3,902	1,199	844	646	463
Property, plant and equipment—net	277,515	311,809	309,048	281,355	226,714
Capital employed	383,976	375,672	390,400	345,497	295,767
Deduct:					
Long term debt	47,969	71,848	89,054	44,239	23,834
Deferred income taxes	87,838	87,912	87,553	78,904	64,081
Shareholders' equity	\$248,169	\$215,912	\$213,793	\$222,354	\$207,852
Per common share	\$11.51	\$10.02	\$9.92	\$10.31	\$9.64
Income					
Net revenue	\$183,006	\$136,827	\$131,267	\$140,614	\$110,282
Expenses	116,769	103,938	126,140	78,556	52,755
Income before income taxes	66,237	32,889	5,127	62,058	57,527
Income taxes	42,676	22,933	13,688	31,881	25,980
Net income for the year, before extraordinary item	23,561	9,956	(8,561)	30,177	31,547
Extraordinary item	10,852	—	—	—	—
Net income for the year	\$ 34,413	\$ 9,956	\$ (8,561)	\$ 30,177	\$ 31,547
Total funds derived from operations	\$ 77,990	\$ 65,256	\$ 78,152	\$ 88,164	\$ 74,167
Capital expenditures	\$ 50,981	\$ 58,429	\$105,794	\$ 97,812	\$ 77,323
Per common share					
Net income for the year	\$1.60	\$0.46	\$(0.40)	\$1.40	\$1.46

Five Year Operating Summary

	1983	1982	1981	1980	1979
Gross sales of crude oil and natural gas liquids (thousand cubic metres per day)	2.8	2.5	3.0	4.1	3.9
Gross sales of natural gas (million cubic metres per day)	2.6	2.9	3.2	2.7	3.1

Board of Directors

37

R. W. Adam

London, England
Former Deputy Chairman,
The British Petroleum
Company p.l.c.
(retired March 6, 1984)

***Robert A. Bandeen, O.C.**

Toronto
Chairman, President and
Chief Executive Officer,
Crown Life Insurance
Company

Roy F. Bennett

Mississauga
President,
Bennecon Ltd.

E. W. Best

Calgary
Vice-President,
Oil and Gas,
BP Resources Canada Limited

Roger Bexon

London, England
Deputy Chairman,
The British Petroleum
Company p.l.c.

R. W. D. Hanbidge

Toronto

Donald S. Harvie

Calgary
Chairman,
The Devonian Group of
Charitable Foundations

Robert B. Horton

London, England
A Managing Director,
The British Petroleum
Company p.l.c.
(elected March 6, 1984)

M. A. Kirkby

Calgary
President and Chief
Executive Officer,
BP Resources Canada Limited

P. C. MacCulloch

Toronto
Vice-President,
Mining and Minerals,
BP Resources Canada Limited

***W. A. L. Manson**

New York
President,
BP North America Inc.

***Charles Perrault**

Montreal
President,
Perconsult Limited

Donald C. Smith

Calgary
Vice-President,
Finance and Administration,
and Treasurer,
BP Resources Canada Limited

P. N. T. Widdrington

London, Ontario
President and Chief
Executive Officer,
John Labatt Limited

***H. E. Wyatt**

Calgary
Vice-Chairman,
Royal Bank of Canada

*Member of Audit Committee

Officers

Donald S. Harvie

Chairman

M. A. Kirkby

President and Chief
Executive Officer

E. W. Best

Vice-President,
Oil and Gas

P. C. MacCulloch

Vice-President,
Mining and Minerals

Donald C. Smith

Vice-President,
Finance and Administration,
and Treasurer

A. V. Comeau

Secretary

W. A. Melrose

Assistant Treasurer

F. D. Pynn

Assistant Treasurer

Kenneth Healy

Assistant Secretary

Offices

Executive Office

333 - 5th Avenue S.W.
Calgary, Alberta
T2P 3B6

Oil and Gas Division

333 - 5th Avenue S.W.
Calgary, Alberta
T2P 3B6

Mining and Minerals Division

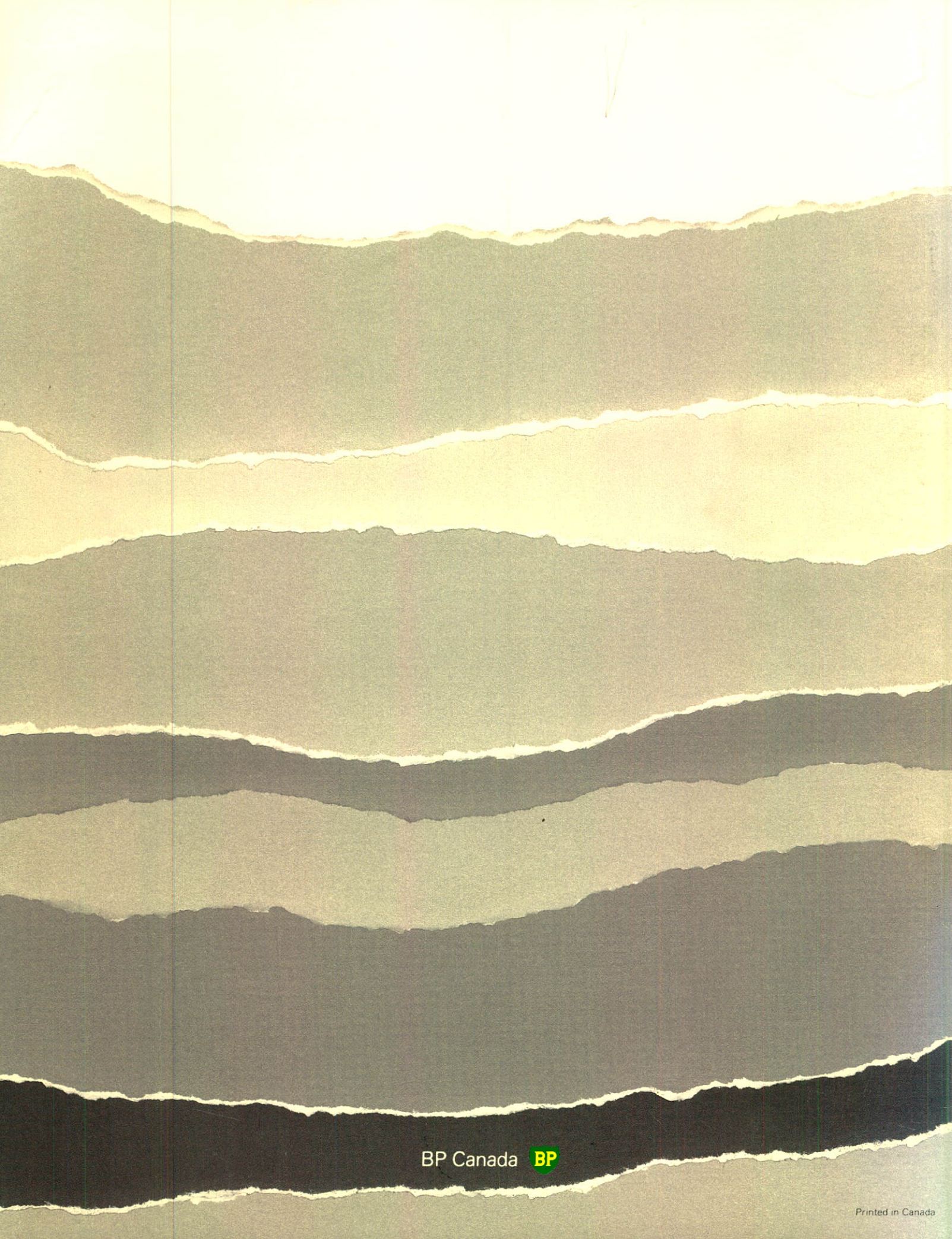
55 University Avenue
Toronto, Ontario
M5J 2H7

Transfer Agent and Registrar

The Canada Trust Company
Montreal, Toronto,
Calgary, Vancouver

Stock Exchange Listings

Montreal, Toronto, Vancouver



BP Canada **BP**

Printed in Canada